

**STATE OF MICHIGAN  
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS  
OFFICE OF FINANCIAL AND INSURANCE REGULATION**

**Before the Commissioner of the Office of Financial & Insurance Regulation**

In the Matter of:

**Enforcement Case No. 09-7477**

**Benefit Management Administrators, Inc.**

Respondent.

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Issued and entered  
on ~~February~~<sup>April</sup> ~~28~~<sup>28</sup>, 2011  
by **Stephen R. Hilker**  
**Chief Deputy Commissioner**

**CONSENT ORDER AND STIPULATION**

**FINDINGS OF FACTS AND CONCLUSIONS OF LAW**

1. Respondent Benefit Management Administrators, Inc. (BMAI), maintained Michigan licenses as an insurance agency/resident producer, and as a third party administrator, with a registered office located at 6307 84th Street SE, Caledonia, MI 49316, until its voluntary surrender of those licenses on or about August 1, 2010.
2. At all pertinent times, Respondent BMAI was not licensed by the Office of Financial and Insurance Regulation (OFIR) with authority to conduct the business of insurance in the State of Michigan.
3. Beginning in 2008, Respondent, through its staff and other licensed insurance agents and resident producers from other Michigan agencies, solicited and sold small-benefit life insurance products in the State of Michigan in conjunction with employee benefit packages offered to certain school district accounts representing their employed teachers and administrators.
4. Eighty seven individual life coverages, each carrying a benefit of \$5,000 per life, were offered and funded incidental to the sale of the other employee benefit products ultimately placed for several hundred district employees between late 2008 and into 2009. The non-life benefits included self-funding features to be maintained by the participating employer districts.

5. No admitted insurance was placed for the small life products by Respondent, who accordingly conducted business as an insurer of those life products without the requisite certification/licensure required by Michigan law.
6. On September 25, 2009, the Commissioner of OFIR issued a Cease and Desist Order to Respondent ordering it to cease and desist from marketing and/or selling life and health insurance products in the State of Michigan until Respondent demonstrated, to the satisfaction of the Commissioner, that the products were insured by a licensed insurer; and to cease and desist from committing allegedly fraudulent insurance acts.
7. Respondent assured OFIR in subsequent communications, meetings, and filings that marketplace compliance was achieved through its collaboration with a Michigan insurance licensee. Respondent confirmed that said licensee retroactively insured the small-benefit life exposures to their inception dates and that life coverage documentation was issued during October of 2009 to cover all eighty seven lives. Respondent has further confirmed that, as part of its effort to dispel any appearance of non-compliance and to comport with the referenced Cease and Desist Order, any partially self-funded health, vision, dental, and short-term disability components previously sold were also retroactively covered by said licensee through policies issued by on or about January 14, 2010.
8. Respondent has confirmed to OFIR that, following the above actions, “[The Michigan licensee] ... has direct and fully insured obligations for all of the attendant risks. . . . No school district or employee has been damaged economically. All received the benefit arrays contemplated, and their rights to those benefits have now been insured at no [additional] cost to them.”
9. Respondent has further assured OFIR that its remaining business operations were curtailed before and following the surrender of its licenses in August of 2010 as noted above, and that Respondent remains in run-off posture toward final dissolution.
10. Respondent knew or should have known that Section 40 of the Third Party Administrator Act, MCL 550.940, prohibits a TPA or manager from misrepresenting pertinent facts related to coverage.
11. Respondent knew or should have known that a person must be licensed under Section 402 of the Insurance Code, MCL 500.402, in order to conduct business as an insurer in the State of Michigan.

12. Respondent's conduct, as described above in respect of the life coverages, violated Section 402 of the insurance Code, MCL 500.402, and Section 40 of the Third Party Administrator Act, MCL 550.940.

### **ORDER**

Based on the findings of fact and conclusions of law above, Respondent's assertions and representations, and Respondent's stipulation to said facts, it is hereby ORDERED that:

1. Respondent BMAI's license and authority as an insurance producer, surrendered during 2010, shall never be eligible for renewal by OFIR.
2. Respondent BMAI's certificate of authority as a Third Party Administrator, surrendered during 2010, shall never be eligible for renewal by OFIR.
3. Respondent BMAI shall pay a fine in the amount of \$1,000 for violating the Insurance Code.
4. Respondents shall pay a fine in the amount of \$500 for violating the Third Party Administrator Act.



Stephen R. Hilker  
Chief Deputy Commissioner

### **STIPULATION**

Respondent has read and understands the consent order above. Respondent agrees that the Chief Deputy Commissioner has jurisdiction and authority to issue this consent order pursuant to the Insurance Code. Respondent waives the right to a hearing in this matter if this consent order is issued. Respondent understands that this stipulation and consent order will be presented to the Chief Deputy Commissioner for approval and the Chief Deputy Commissioner may or may not issue this consent order. Respondent waives any objection to the Commissioner deciding this case following a hearing in the event the consent order is not approved. Respondent admits the findings of fact and conclusions of law set forth in this consent order and agrees to the entry of this order. Respondent admits that both parties have complied with the procedural requirements of the Michigan Administrative Procedures Act, the Insurance Code, and the Third Party Administrator Act. Respondent has had an opportunity to review the Consent Order and Stipulation and have the same reviewed by legal counsel.

**Benefit Management Administrators, Inc.**

N. Henry Blidsoe, President

Dated: April 6<sup>th</sup>, 2011

The Office of Financial and Insurance Regulation staff approves this stipulation and recommends that the Chief Deputy Commissioner issue the above consent order.

Scott Basel (P68335)

Attorney

Date: 4 20, 2011